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January 18, 2008

RE: Case No. 2007-00276

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

BOD/tw  
Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE	)	
APPLICATION OF THE FUEL	)	
ADJUSTMENT CLAUSE OF AMERICAN	)	CASE NO.
ELECTRIC POWER COMPANY FROM	)	2007-00276
NOVEMBER 1, 2006 THROUGH APRIL	)	
30, 2007	)	

INTERIM ORDER

Pursuant to Administrative Regulation 807 KAR 5:056, the Commission, on August 3, 2007, established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of American Electric Power Company ("AEP") for the 6-month period that ended on April 30, 2007.

As part of this review, AEP, pursuant to Commission Order, submitted certain information concerning its compliance with Administrative Regulation 807 KAR 5:056.

The Commission held a public hearing on October 11, 2007. At the hearing, AEP advised the Commission that notice had not been properly published in one of the areas which it serves. On its own motion, the Commission continued the hearing to allow AEP sufficient time to provide proper notice. It took testimony from AEP's witnesses on the condition that these witnesses would be available further examination at a later date after proper notice was completed. On December 3, 2007, the Commission held a second hearing to allow the opportunity for public comment and, if necessary, to present AEP's witness for further questioning.

At the December 3, 2007 hearing, AEP addressed questions from Commission Staff concerning metering discrepancies at its Leach to South Neal tie line with Appalachian Power Company ("APCO") and its Bellefonte tie line with Ohio Power Company. The discrepancies were first disclosed by AEP in Case No. 2006-00507.<sup>1</sup>

In Case No. 2006-00507, AEP stated that the West Virginia Public Service Commission ("West Virginia Commission") is considering whether APCO should recognize, through its energy cost recovery mechanism, the impact of the metering discrepancies for the months of 2007 that fall within this review period. AEP stated that any adjustments resulting from the West Virginia Commission's review will be included in its next 2-year review. Accepting this position, the Commission directed that adjustments from the metering inaccuracies "be considered in a future FAC proceeding."<sup>2</sup> The Commission finds, therefore, that this case should remain open pending completion of the West Virginia Commission's review to consider the effect of the metering discrepancies.

The Commission has previously established AEP's base fuel cost at 16.51 mills per kWh.<sup>3</sup> A review of AEP's monthly fuel clause filings shows that the actual fuel cost incurred for the 6-month period under review ranged from a low of 18.58 mills in

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<sup>1</sup> Case No. 2006-00507, An Examination of the Application of the Fuel Adjustment Clause of American Electric Power Company from November 1, 2004 to October 31, 2006.

<sup>2</sup> Case No. 2006-00507, Order of December 19, 2007 at 5.

<sup>3</sup> Case No. 2004-00463, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of American Electric Power Company from November 1, 2002 to October 31, 2004, Order dated June 23, 2005.

December 2006 to a high of 20.76 mills in April 2007, with a 6-month average of 19.89 mills.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds, subject to the West Virginia Commission's review of APCO's energy cost recoveries in calendar year 2007, no evidence of improper calculation or application of AEP's FAC charges or improper fuel procurement practices.

IT IS THEREFORE ORDERED that:

1. The charges and credits billed by AEP through its FAC for the period November 1, 2006 to April 30, 2007 are approved, subject to any adjustments arising from APCO's energy cost review proceeding before the West Virginia Commission.

2. This case shall remain open pending completion of the West Virginia Commission's review to consider the effects of the metering discrepancies discussed herein.

Done at Frankfort, Kentucky, this 18th day of January, 2008.

By the Commission

ATTEST:



Executive Director